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Cotton and Products Annual

2018

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Report Highlights:
Timely precipitation in March and better margins compared to alternative crops led Spanish farmers to increase the area planted to cotton in **MY2018/19**. The Spanish cotton-based textile industry continues to grow. Demand from export markets, especially for home textile products, combined with domestic economic growth, are driving the recovery for the textile sector.

Disclaimer: This report presents the situation for cotton in Spain. This report contains the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

Table of Contents:

Abbreviations used in this report

AITPA Association for Industrial Textile Cotton Processing
Bales (1 Bale = 217.724 kg =480 lbs)
EU European Union
FAS Foreign Agricultural Service
GE Genetically engineered
GTA Global Trade Atlas
Ha Hectares (1 Ha = 2.471 acres)
Harmonized Codes for Lint Cotton (HS code): 5201
MAPAMA: Ministry of Agriculture, Fisheries, Food and Environment
MS EU Member State(s)
MT Metric ton (1,000 kg)
MY Marketing year (Aug/Jul)
N/A Not Available
PS&D Production, Supply and Demand

Area and Production

Spain is the EU's second largest cotton growing Member State after Greece. Spain's cotton production accounts for just above 20 percent of the EU-28 cotton output. Cotton production in Spain is concentrated in the Guadalquivir Valley, Andalucía, Spain's southernmost region. Cotton is a critical crop from the environmental, social and economic perspective in the areas where it is grown, as viable alternatives are limited. Cotton in Spain is cultivated under irrigation.

Cotton area is highly inelastic. It is grown under salty and warm conditions, and there are little alternative crops that can be profitable under these circumstances. Slight area variations can occur though, depending on water supplies, price relations and competition by other crops. To certain extent, subsidies available play also a role in planting decisions.

Area planted to cotton in **MY2018/19** is expected to show a slight increase (**Table 1**). After an extremely dry winter, March precipitations filled the reservoirs and ensured water availability for irrigation. Farmers shifted away from both corn, due to the poor crop margins obtained, and from tomatoes from processing, as contracts with industry were formalized in January when storage water was still low and water supply was not guaranteed.

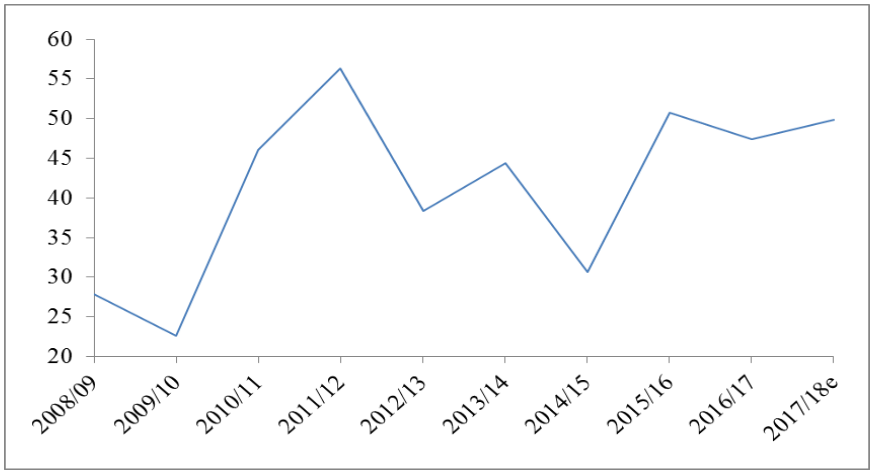
Table 1. Evolution of Spain's Cotton Area and Production

MY	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Area (1,000 Ha)	58.6	63.2	67.1	69.8	64.0	75.0	63.3	60.7	63.0	65
Production (1,000 MT)	79.2	115.1	182.8	191.7	145.6	226.2	160.1	178.6	196.8	195

Source: MAPAMA. Junta de Andalucía and FAS Madrid estimates.

Also, good prices received by farmers in MY2017/18 would support an increase in cotton plantings in MY2018/19 (**Graph 1**).

Graph 1. Average Raw Cotton Prices (Euros/Kg)



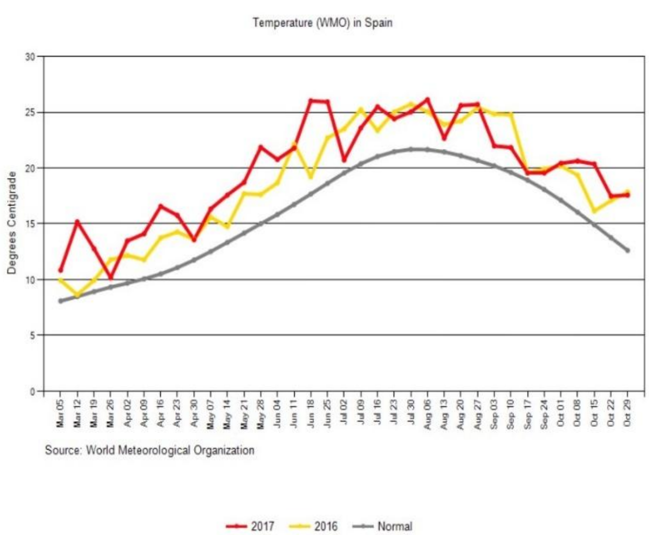
Source: FAS Madrid based on MAPAMA data.

In **MY2017/18** pest incidence was low, which favored good crop development. As GE cotton varieties are not allowed for planting in the EU, farmers rely exclusively on the use of pesticides to reduce pest incidence.

The absence of precipitation during the entire hydrological year (**Graph 2**), combined with high temperatures throughout the crop cycle (**Graph 3**), negatively affected other arable crops in **MY2017/18** (See SP1714**).** However, in the case of cotton, since virtually all is grown under irrigation, despite the lack of rain, farmers carried out planting and harvest operations in a timely manner.

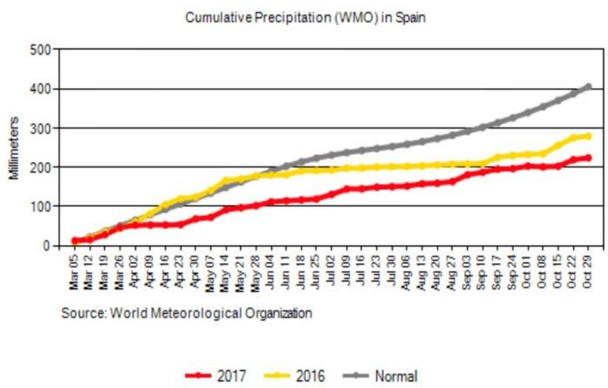
The Spanish cotton crop benefited from low pest incidence and favorable weather conditions, which ultimately resulted in excellent yields.

Graph 2. Summer Growing Season Average Temperature in Spain



Source: IPAD/Foreign Agricultural Service/USDA

Graph 3. Summer Growing Season Cumulative Precipitation in Spain



Source: IPAD/Foreign Agricultural Service/USDA

Consumption and Marketing

Spain has eight ginning plants in Andalucía, of which only seven are currently operational.

According to Spanish industry, raw cotton processing rates are as follows:

- Cotton Lint yield = 32-33percent (national weighted average) of total Seed Cotton delivered to ginneries
- Cottonseed yield = 54percent (national weighted average) of total Seed Cotton delivered to above ginneries
- The remaining 13-14percent is moisture and waste[1].

Higher Value Products – Textile Products

The cotton processing industry in Spain is concentrated in Catalonia. The Association for Industrial Textile Cotton Processing (AITPA) reports an increase in cotton consumption (**Table 2**) and cotton and yarn production (**Graph 4**) throughout **2017**.

Table 2. Cotton Consumption (MT)

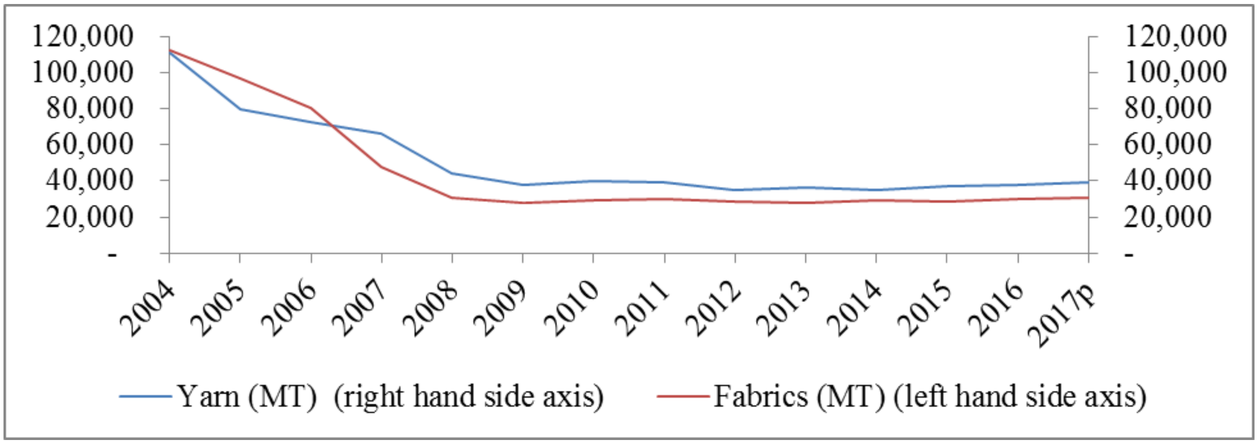
Year	2012	2013	2014	2015	2016	2017p
Consumption(MT)	27,565	28,671	28,205	29,750	30,645	31,935

Source: FAS Madrid based on AITPA (Association for Industrial Textile Cotton Processing)

p: provisional data

Graph 4. Cotton Yarn and Fabric Production (MT)*

[1] *Average moisture and waste content comply with quality requirements for the Cotton Quality Premium.*



Source: FAS Madrid based on AITPA (Association for Industrial Textile Cotton Processing)
p: provisional data
** AITPA numbers include blends with synthetic yarns.*

While yarn production just grew by one percent, fabric production grew by four percent (**Graph 2**) in **2017**. The cotton industry continues to grow after the sharp decline between **2004** and **2009**.

Export market demand, in particular for home textiles, is the driving force behind the textile industry recovery. In addition, the Spanish economic growth and post-crisis expansion is expected to continue throughout **2018**, which would allow for a moderate increase of textile production in **2018.**

Main destinations for Spanish yarns and fabric continue to be Morocco (31 percent) and other EU Member States, such as Italy (11 percent), Portugal (10 percent), France (9 percent) and Germany (6 percent). These five markets represent over sixty percent of total cotton products exports. The main origins of imported cotton products in 2017 included China (20 percent), Pakistan (19 percent), Turkey (13 percent), Portugal (10 percent) and Italy (10 percent).

Trade

Spain is a net exporter of cotton lint, with exports largely exceeding imports. Other EU Member States are their main destination, followed by Vietnam, Morocco and Indonesia (**Table 2**). Spain cotton lint imports originate mainly in Turkey (**Table 3**).

Table 2. Spain Exports of Cotton Lint (MT)

Country of Destination	MY2012/13	MY201314	MY2014/15	MY2015/16	MY2016/17
EU-28	18,125	11,820	28,782	20,075	15,850
Vietnam	1,094	3,194	3,400	3,110	10,902
Morocco	6,465	7,546	8,867	5,735	6,220
Indonesia	3,014	5,823	6,873	5,337	6,183
Pakistan	220	1,550	520	4,547	4,450
Bangladesh	5,456	2,994	17,012	4,672	3,967
India	284	615	944	1,894	1,686

Algeria	-	270	2,756	975	1,235
Turkey	1,306	644	2,332	8,958	244
Thailand	1,939	2,681	2,589	807	209
Taiwan	1,138	-	68	-	200
Brazil	222	44	402	312	153
China	15,161	4,100	1,973	773	131
Other	19,263	7,012	3,538	1,574	229
TOTAL EXPORTS	**58,526**	**44,193**	**78,083**	**57,996**	**51,528**

Source: GTA.

Table 3. Spain Imports of Cotton Lint (MT)

Country of Origin	MY2012/13	MY201314	MY2014/15	MY2015/16	MY2016/17
EU-28	480	81	78	207	694
Turkey	748	155	421	861	1,131
Burkina Faso	-	75	686	327	325
Pakistan	606	534	594	363	99
Benin	-	511	1,151	194	98
Cameroon	-	659	120	394	48
Chad	400	279	60	200	40
Brazil	443	349	514	292	-
Uganda	-	-	99	-	-
Togo	125	73	93	91	-
Other	387	145	-	120	248
TOTAL IMPORTS	**3,189**	**2,861**	**3,816**	**3,049**	**2,683**

Source: GTA.

Policy

At the moment the **Cotton Specific Support,** as established by Spain's EC Accession Treaty, serves as the only policy incentive for cotton production (**Table 4**). Since **MY2015/16** the **Cotton Quality Premium** has been phased out as has the **Integrated Farming Payments** since **MY2013/14**.

In **2015**, the **Single Payment Scheme** was replaced by the so-called **Basic Payment**, which is not crop specific. Spain has opted for a region-based system. In the irrigated land in the Guadalquivir basin, where most of the cotton is grown, industry sources estimate that Basic Payment would add up to about 450 Euros per hectare. A large part of the support received by farmers will be linked to greening measures compliance.

<u>Cotton Specific Support</u>

In 2006, area planted to cotton in Spain suffered a significant decline in as a result of the implementation of the EU cotton reform, reaching a record low in **MY2008/09**. In **MY2009/10** the Regulation (EC) 637/2008 introduced some amendments to the cotton regime: national guaranteed area was reduced from 70,000 ha to 48,000 ha with a total budget of 67.2 million Euros. Since **MY2009/10** the cotton aid increased in value per hectare, but less acreage can benefit from this payment. Since **MY2014/15** the reference amount for the area payment has been revised down from 1,400 Euros/Ha to 1,267.53 Euros/Ha.

Specific conditions to be eligible to receive this coupled support are defined annually in Spain's National Gazette.

Ministerial Order APM/120/2018 establishes the requirements to be granted with the cotton specific premium in MY2018/19, which consists of:

- Only agricultural plots that were not planted to cotton[2] in the previous season, but that at least were planted to cotton once in the marketing years 2000/01, 2001/02 or 2002/13, can be subject of this specific support.

- Only cotton varieties contained in the EU Plant Varieties Common Catalogue can receive the cotton specific support premium.

- Seeding density should be over 100,000 plants per hectare in irrigated plots and over 90,000 plants per hectare in non-irrigated plots. Seeding density can be just 75,000 plants per hectare in case of interspecific hybrid varieties.

- Crop should develop under normal conditions and be harvested. Production obtained must meet minimum quality requirements.

Currently, the budget for the Cotton Specific Payment is fully used even though correction factors are needed to adjust the reference area payment to the actual subsidy-eligible area. Subsidies allocated each Marketing Year can be consulted in **Table 4**.

Table 4. Subsidies Available for Cotton Growers

Support Scheme	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19e
Specific payment adjusted (€/ha)	1,105	1,024	983	1,060	825	978	1,027.97	995.64	1,015
Article 69 payment (€/ha)	289.81	224.75	-	-	-	-	-	-	-
Article 68 payment (Euros/MT)	-	-	77.68	95.12	57	-	-	-	-
Basic Payment	-	-	-	-	-	450*	450*	450*	450*
Integrated farming aid (€/ha):	350 210 105	350 210 105	350 210 105	-	-	-	-	-	-

[2] *Plots below 10 Hectares exempted from this requirement.*

Under 40 ha. Between 40 and 80 ha. More than 80 ha.									
Basic Agro-environmental Support 2015-2020 (€/ha) (with additional Commitment)	-	-	-	-	-	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)

Source: FEGA and FAS Madrid estimates.

**Industry estimate*

The regional government of Andalucía has defined an Agro environmental measure for sustainable industrial crops (cotton and sugar beet). Commitments must be observed for a five years period.

Since **MY2015/16** to be granted with the Basic Agro-environmental support Aid (290.27 €/ha), the requirements are as follows:

- Integrated farming practices must be carried out and accredited.
- Land under eligible crops[3] must be at least 0.5 Ha
- Farmers must attend to two courses of mandatory training on agro-environmental commitments within the four year period.
- Crop waste, such as stocks, should be shredded and uniformly distributed.
- Farmers must accredit compliance with agro-environmental commitments.
- Farmers must grow a legume crop at least once within the five years period of commitment as a second crop to cotton. The legume crop should be carried out between autumn and up to at least February 28 of the following year, once the legume crop has reached milky stage.
- Additionally, farmers may volunteer to grow and bury a crucifer crop at least once within the five years period of commitment as a second crop to cotton. The crucifer crop should be carried out between autumn and up to at least February 28 of the following year. Those farmers can receive a total amount of 433.44 €/ha as Agro-environmental Support. Adhesion to this additional commitment is fairly limited.

Production, Supply and Demand Data Statistics

Table 5. Cotton Lint Production, Supply and Demand

Cotton	2016/2017	2017/2018	2018/2019

[3] *Eligible crops include cotton and sugar beets.*

Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
Spain	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	61	61	61	63	0	65
Beginning Stocks	20	20	30	27	0	45
Production	271	267	270	294	0	291
Imports	11	12	15	15	0	10
Total Supply	302	299	315	336	0	346
Exports	247	237	245	254	0	265
Use	25	35	30	37	0	42
Loss	0	0	0	0	0	0
Total Dom. Cons.	25	35	30	37	0	42
Ending Stocks	30	27	40	45	0	39
Total Distribution	302	299	315	336	0	346
Stock to Use %	11.03	9.93	14.55	15.46	0	12.70
Yield	967	953	964	1016	0	975
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						

Related Reports

Report Title	Date Released
Cotton and Products – Spain Annual 2017	04/03/2017
Cotton and Products – Spain Update	10/21/2016
Cotton and Products – Spain Annual 2016	04/01/2016
Spain - Cotton update 2015	11/04/2015
Spain - Cotton and Products Annual 2015	03/25/2015